

ROLE OF PERFORMANCE BASED REWARD SYSTEM IN IMPROVING EMPLOYEE'S PRODUCTIVITY AND JOB SATISFACTION: ANALYSIS OF GOVERNMENT AND PRIVATE SECTOR OF PESHAWAR

Zunnoorain Khan, Nasir Karim and Sharif Ullah Jan

ABSTRACT

Rationale of this research study is to answer the question that how the performance based rewards system increases the productivity of an employees. The study was significant for quantifying the link between rewards, tied with employees' performance and their productivity and was also significant for guiding the researcher to find out the kind of rewards that are intrinsic or extrinsic and results in high employee motivation and thus job satisfaction. It is also helpful in finding out that how performance based rewards affects employees' productivity in government and Private sector of Peshawar region. Total 550 questionnaires were distributed in different government and private organizations out of which 510 were received with a response rate of 92%. Productivity was positively related with Job satisfaction ($p < 0.01$), similarly Productivity was positively related with reward system ($p < 0.01$). It is clear from this research that the satisfied and highly motivated employee stays in the organization for longer time and transforms the inputs in more productive way than an unsatisfied and low motivated employee. In the recommendation part of the study, it has been suggested that organizations provide such an environment which create better opportunity for their employees and utilize the resources in an improved manner, minimize all those factors which create biasness and injustice whereas employer's understand the desires with the productivity of an individual employee. In order to achieve success, organizations must retain their employees and provide them better advancement opportunities.

Key Words: Reward System, Productivity, Job Satisfaction

INTRODUCTION

Every organization has some goals and objectives and they arrange, perform their activities in such a way, so that these goals can be accomplished. Management in particular has the responsibility to help organizations in achieving its set targets and vision. Productivity is that which people can produce with the least effort (Rolloos, 1997). Productivity in recent times is defined as an indicator of how well goals or performance, objectives or mission have been achieved. Improved productivity thus means better performance in terms of task completion, less absenteeism and job satisfaction.

Employee productivity is an important issue for organizations because ultimately employees improved performance is one of the key factor that can affect organization's overall productivity and growth. The key concern for any organization will be to answer the question that how an employee can work more efficiently and effectively to increase their productivity as well as organization's productivity and growth. Productivity is influenced by many factors some are internal to organization while others are external factors. It is found that some employees are more productive in their work while some are not. The reasons for high or low productivity can be various depending upon the organization's work environment, culture, structure, job description, organization's policies, rewards system etc. This study however, will be centered around the impact of performance based rewards system on employees' productivity.

Productivity varies greatly from organization to organization. The organizations thus must decide on the basis on which they will measure their employees performances for example number of output produced in less time, the completion of task, sales volume per employee etc.

In order for the businesses to succeed, management must keep a close eye on their employees' productivity. They should identify the reasons for poor performance by an employee and should try to motivate and encourage their employees to show better performances and should reward good performance. Management uses to evaluate the current performance of the employees and guide them to improve their performance in future.

In today's highly competitive world it is important for organizations to retain their highly skilled employees because a productive employee is an organization's strongest asset. They can do so by motivating them through various incentives so that they keep on doing good job and are satisfied with their job. Amongst all other factors providing performance based rewards to employees can also increase employees' productivity. Rewarding employees on good performance can be very effective in reducing the turnover rate. Employees when feel that their services are valuable for the organization and he/she is rewarded for his/her good performance, in turn they will be more committed to their organization. It is well understood fact that people who feel recognized, show a stronger desire to help the organization grow and succeed.

Performance based rewards system can also be termed as "Pay for performance system" or "Merit Pay". This term means giving incentives and rewards to employees based on their performances. The main objective of performance-based rewards system is to tie pay with performance and to achieve improvement in productivity. This system is based on the assumption of attracting, retaining and motivating employees. This system is used as a tool by organizations in order to motivate their employees. Leaders and managers are responsible for improving productivity of the employees thus the whole organizational culture should be performance oriented

Fredrick Taylor, who is known as father of scientific management, for the first time in

1920 with his scientific management principles introduces the concept of productivity. According to Taylor's scientific management principles, organization should increase efficiency in production with lower costs and should raise profits through higher employee productivity. Taylor emphasized that employees productivity can be increased by possible increase in pay and by giving them financial rewards on good performance. Providing rewards to employee is one of the key component of performance management process. Rewards can be of various types including financial rewards i-e money and non financial rewards like recognition, acknowledgement of good job.

Rewards or incentives are also given on grade basis that is equal to each employee in the same grade irrespective of their performance. In some organization rewards are given to employees on their seniority basis that is number of years spend in that organization. While in recent times organizations have started giving rewards based on the performance of the employees.

Employers have number of options available to them to give rewards to employees based on their need and preferences. It is psychological fact that people are motivated by the thing which they desire the most or which they need the most. So, managers in order to motivate their employees and to ensure improved productivity must have thorough understanding of employees' needs and wants. If rewards are linked with performance, productivity increases along with job satisfaction. Rewards that are fair, unbiased and appropriate lead to job satisfaction.

Principles of management also dictate that maximizing employees' productivity depends upon personal motivation and work environment. Joran Beel, mentioned in his book "project Team rewards" that Rewards cannot directly affect success. The direct affect of rewards is on employees' motivation.

In a nutshell, performance based rewards system helps in motivating employees and as a result of high motivational level employees show good performance. Job satisfaction and motivation are considered as an outcome of a good performance based rewards system.

Background of the Study

According to the study of Mwita (2000) strategic goals of an organization can only be achieved when performance of an employee was major determined for success.

Organizations hire talented and skilled employees, provide them proper training and in return expect good performance and productive results from them. Henceforth, this leads to the emergence of a query that what makes an employee to work harder in an effective and efficient way to increase overall organizations productivity and growth. Performance based rewards is one of such tools used by managers to motivate employees to show better performance. Based on this issue of productivity, as a major concern for organization, the researcher thought of conducting a study attempting to establish a link between performance based rewards system and employees'

productivity. There might be many other factors responsible for employees' increased productivity, but the scope of this study is limited only to performance based reward system.

With the emergence of Taylor's scientific management principles, many companies such as Ford Motors started to link rewards with performance. Now this system is becoming an increasingly popular practice in many western countries. There is large amount of work done on employees' productivity in many parts of the world however there is very limited research conducted on the impact of performance based reward system on employees' productivity particularly in Pakistan upto the best knowledge of the researchers. Hence it is important to recognize the effectiveness of performance based reward system and its impact on employees' productivity in Pakistani environment.

PURPOSE OF THE STUDY

The major objectives of the proposed study were to better understand the relationship between the performance based reward system and employees productivity. Various dimensions of productivity were identified during the study, but for the matter of conciseness of the study and to ensure its timely completion only performance based reward and job satisfaction are considered and analyzed. This study attempt to develop a thorough understanding of performance based reward system, its merits and demerits. This study aims to find out whether it will be effective for organizations to give reward based employee performance or other factors for rewards should also be considered.

This study sought to answer that how can performance based reward system lead towards employee motivation and job satisfaction and then ultimately towards employees' increased productivity.

Rewards as per discussion above can be of two types these are financial and non financial rewards. But the major concern for any organization would be to decide which kinds of rewards are more effective, in order to enhance employees' performance. In the proposed study the researcher was tried to find an optimal solution for this problem by finding out the impact of both financial rewards and non financial rewards on employee productivity.

This study was conducted to find out whether monetary rewards are the major factor for an employees' satisfaction and thus increased productivity or employees are more motivated by and satisfied from other non financial rewards as well.

This study performed on Pakistani organizations; therefore this study highlighted the importance of performance based reward system and its power to increase employees' job satisfaction and overall productivity in Pakistani organizations.

HYPOTHESES DEVELOPMENT

To examine the relationship between performances based rewards system and employees productivity,

HYPOTHESIS # 1

H1: High level of employees' productivity is linked with financial rewards.

HYPOTHESIS # 2

H2: Performance based rewards helps in raising employees' job satisfaction level leading towards increased productivity.

HYPOTHESIS # 3

H3: Performance based rewards system helps in raising employees' motivation level leading towards increased productivity.

METHODOLOGY

Both Primary and secondary data collection methods were used. In this study, the role of pay for performance system in increasing employees' productivity in Pakistani organizations were examined. For study Non-probability random sampling technique was used; during analysis 44 different corporate institutes were the prime focus of study in Peshawar division of the Khyber Pakhtoon Khwa, Pakistan.

Primary data was collected through interview and questionnaires from selected employees of Public and Private sector. The questionnaire comprised of 30 items each. Five point Likert scale was used. Demographics section comprised of Organization, Gender and Job Title.

Results and Discussions

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.992 ^a	.985	.975	.08498

a. Predictors: (Constant), job satisfaction, Reward System

According to table no; 1 the value of adjusted R square interpreted that dependent variable i.e. Productivity is influenced by 97.5% on independent variables which is Job satisfaction and Reward System. Table 1 shows R= 0.992 shows 99% variation in Job Satisfaction, Reward System and Productivity. Coefficient of determination (R-Square) which illustrate that 98.5% total variation is explained with its linear relationship of Reward System and Productivity

Table 2: ANOVAb

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.407	2	.703	97.385	.001 ^a
	Residual	.022	3	.007		
	Total	1.428	5			

a.Predictors: (Constant), job satisfaction, Reward System

b. Dependent Variable: productivity

According to table 2 which describe the value of F-statistics, (97.385) level of significance since the value of P is less than .05 therefore; overall model was found fit, so it is accepted that role of reward system and job satisfaction in productivity is highly significant.

Table 3: Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.317	.759		.417	.000		
job satisfaction	.667	.055	.968	12.145	.000	.795	1.257
Reward System	.167	.261	.051	.639	.000	.795	1.257

a. Dependent Variable: productivity

Productivity = .317+ .167 (Reward System)

According to the above equation which explains us that one percent reward system will bring 16% change in Productivity.

= .317 shows the value of Productivity and when the value of Job Satisfaction is 0 whereas .667 is the beta value which shows that one unit increase in job satisfaction will bring .667 unit increase in Productivity

Productivity = .317+ .667 (Job Satisfaction)

According to the above equation which explains that one percent change in Job satisfaction will bring 66% change in Productivity.

According to table no; 3 in which co linearity statistics indicate .795 tolerance value for both variables which is less than 5 and the value of Variance Inflation Factor (VIF) is less than 10 shows that there is no co-linearity.

Practical proposition:

To observe the role of reward system with Productivity and job satisfaction of an employee, proper reward system can help management to improve work productivity through fulfilling the needs (extrinsic and intrinsic) of the employees which can increase productivity through job satisfaction and commitment towards the organization. This research study makes valuable course of action for managers to understand the importance of reward system which can enhance the outcomes in a more result oriented way. During findings we observe that mostly private sector organizations didn't give proper performance based rewards to their employees which ultimately

de-motivate the personnel and can reduce the performance of an individual as well as reduce the productivity of an organization. Government sector give remuneration and benefits to all employees without knowing the fact that which employee is valuable and which one didn't provide an imperative effect to the outcomes, so the management of these organization should revise their policies for better productivity and results.

Limitations and Future Directions:

Performance based reward system is well thought-out factor for the productivity of an organization and intended for their workforce. For that reason, an additional research should be examined in other sectors for more tangible results. Future research should also effort to achieve a larger population sample size. Future research can also center of attention on transmission the most effective approaches of productivity and provide techniques for job satisfaction in developing countries organizational perspective.

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Zunnoorain Khan: Lecturer. City University Peshawar. MS Management Sciences (HR), Three years teaching experience in Preston University, Area of Interest, organizational development. Published one research paper.
E-mail: zunnoorainkhan@yahoo.com



Dr. Nasir Karim: Associate Professor, Islamia College University, Visiting faculty member of IM Sciences Peshawar. Area of Interest: Marketing.
E-mail: nasirbss@hotmail.com



Sharif Ullah Jan: Lecturer (Finance), City University of Science & Information Technology, Peshawar. Ph.D (Research Scholar) Iqra National University, Peshawar. More than 2 years experience in teaching and research. Published one research papers.
E-mail: sharifjn@gmail.com